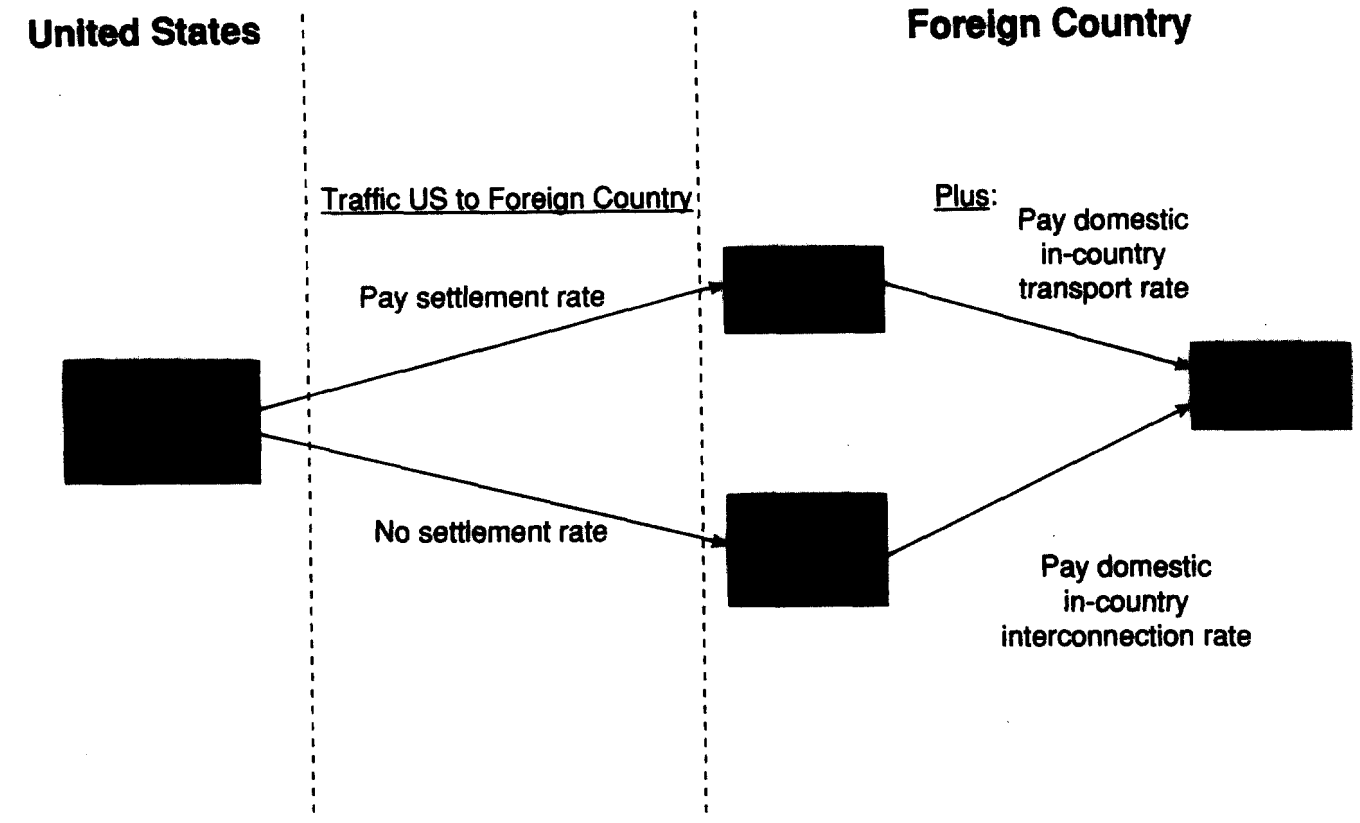
As MCI begins to terminate more traffic on WorldCom's facilities, that cost of termination can decrease by as much as 70%. This is because MCI can now terminate on WorldCom's switches in Europe and Asia and avoid paying net settlement rates, while at the same time the cost of in-country transport becomes limited to the domestic interconnection rates that WorldCom pays in those countries. This is opposed to the domestic in-country transport rates, which are different and higher than in-country interconnection rates. Basically, the MCI savings is a function of WorldCom having 382,000 international local and long-distance switch ports and a full contingent of pan-country networks in Europe and in parts of Asia.

The other portion of the international revenue synergies relate to WorldCom using MCI's operating agreements. MCI has operating agreements with 240 countries, whereas WorldCom has operating agreements with 60 countries. Thus, as WorldCom puts international traffic that it currently has to terminate via resale onto MCI's facilities, there are not only cost savings by definition, but also the combined entity gets more return traffic as a result.

Synergies—A function of WorldCom and MCI doing what they do every day.

Thus, it is clear from the discussions of both domestic and international areas of synergies that the synergies are not only clear but actually will be rather easy to execute, since we are really talking about the basic elements of network engineering—namely regrooming networks to handle traffic loads which is when one thinks about it, the business that WorldCom and MCI are in every day.



Source: Smith Barney Inc./Salomon Brothers Inc

Integration

The integration of the salesforces is straightforward.

As far as the integration of the companies are concerned aside from the synergies, again, we believe this will be very straightforward. MCI has 6,500 sales personnel all of whom sell to accounts that are $5,000-$10,000 per month or more. Of MCI's $11 billion in commercial revenue, $9 billion comes from either major accounts, national accounts, global accounts or the government whereas only $700 million of this $11 billion comes from mass market businesses of less than $2,000 per month. In contrast, of WorldCom's revenue base, virtually all of the domestic long-distance revenues are derived from the smaller to medium-sized business customers, with WorldCom's average account size being $1,400 a month. Thus, WorldCom's 2,000 salespeople tend to be concentrated in the lower end of the business market. Not only will there not be any integration problems with the sales force, the combined sales force fits like a glove in covering the complete gamut of business customers from the low end to the very major level accounts.

Network integration should go smoothly.

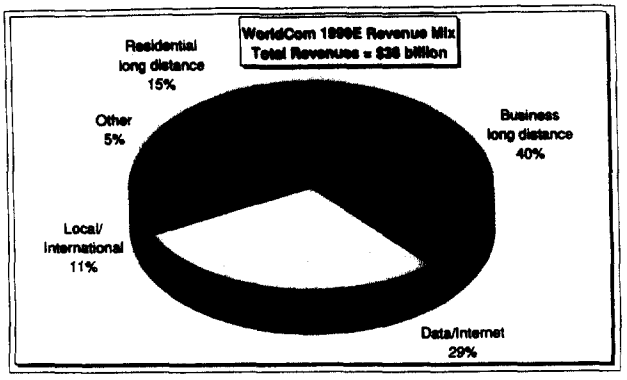
On the network side, we believe the network integration will go quite smoothly since each other's networks were built for different capabilities to

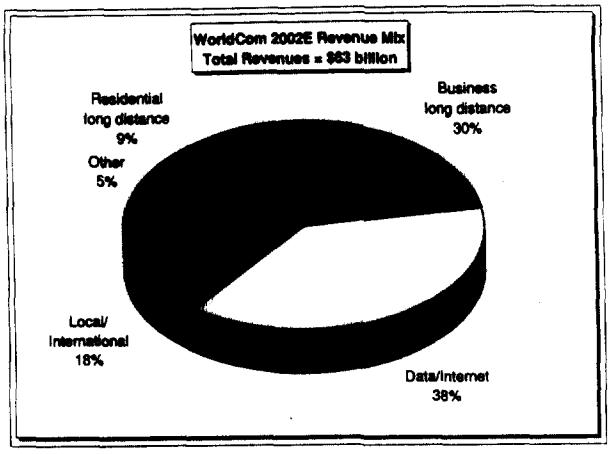
serve different types of customers. On a going forward basis, the combined company can plan much more efficiently for network growth and modernization. Of course, WorldCom's greatest network assets are its local networks, its Internet backbone, and international network—network assets which MCI largely does not have. We also believe the sales effort under the leadership of Tim Price and Steve Dobel and the network effort under the leadership of John Sidgmore and Fred Briggs will clearly result in a very powerful revenue driving engine, since these executives have proven track records in the sales and network areas.

Revenue Mix Skewed the Right Way

WorldCom pro forma for MCI in 1999 will be a $38 billion company with five year top line growth of 17% per year. The reason that the growth rate can be so high has to do with the revenue mix of the new entity. On one dimension, WorldCom itself will represent over 40% of the revenues and since WorldCom is growing at a 30% clip mathematically the numbers work. More importantly though, it is interesting to look at the revenue distribution pro forma for 1999 and where it is going to over the next few years (please refer to the annual revenue model Figure 18 at the end of this report). In addition, as we discuss below, our assumptions of growth rates for each revenue category are quite reasonable, lending credence to the aggregate 17% per annum revenue growth rate forecast. Furthermore, we have no revenue synergies in our forecast and if MCI, over time, can capture 25%-30% of its existing customers' local revenues, that alone takes revenue growth to well above 20% per year.

For 1999, we estimate that for the new company only 15% of the revenues will be residential long-distance revenues which are clearly the most commodity-like and slowest growing part of the revenue stream. Another 40% of revenues will be business long distance, including commercial and wholesale, of which commercial will represent 75% of that number. Thus, in 1999 domestic long distance will still represent about 55% of the revenue stream. However, over 15% of the revenues are in data, 10% in Internet, roughly 5% in international (75% to 80% of which is true international non-U.S. originating and terminating revenues, mostly U.K. and Germany at the present time, as opposed to return traffic) and about 5% of the revenue stream is local with another 5% or so in non-core revenues.



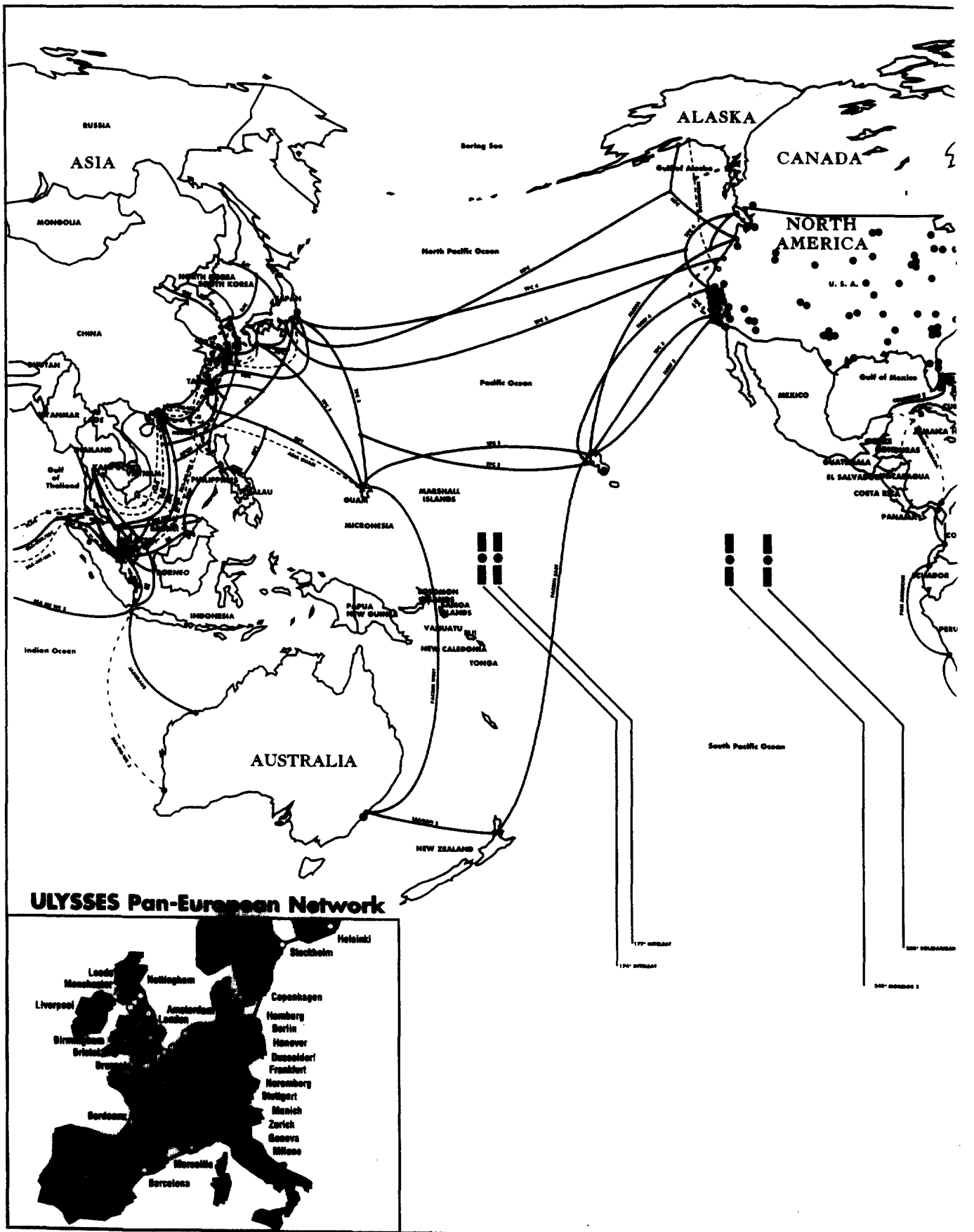


Source: Smith Barney Inc./Salomon Brothers Inc

The revenue mix for WorldCom will become increasingly skewed away from the most vulnerable part of a long-distance portfolio—residential long distance, which is especially true as Bells enter the market.

If one looks out to 2002, the mix changes quite favorably (see Figure 9 above). We estimate that by 2002 residential long distance will be less than 9% of total revenues, business long distance will be roughly 30% of total revenues—meaning domestic long distance will definitely be solidly below 40% of total revenues. In contrast, both data and Internet will each be about 20% of revenues, international should approach 10% of revenues and local should approach 10% of revenues.

Specifically, over the next few years, we have residential long distance declining by about 1% each year in deference to Bell long-distance entry, even though MCI's residential base is less vulnerable than AT&T's. We also have business long-distance revenues growing at only a 7%-8% annual clip, roughly half the current growth rate for WorldCom/MCI combined in the business long-distance area bringing total switched long-distance revenue growth to about 5% per annum, going forward—hardly, a heroic effort. However, we do have data growing at 21% per year and Internet growing at 40% per year—strong growth rates that frankly, we would expect to be conservative given the demand for broadband services. In fact, our forecasted growth rates for data and Internet are less than half the current growth rates of these services and we doubt growth in these categories will halve overnight.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EL SALVADOR
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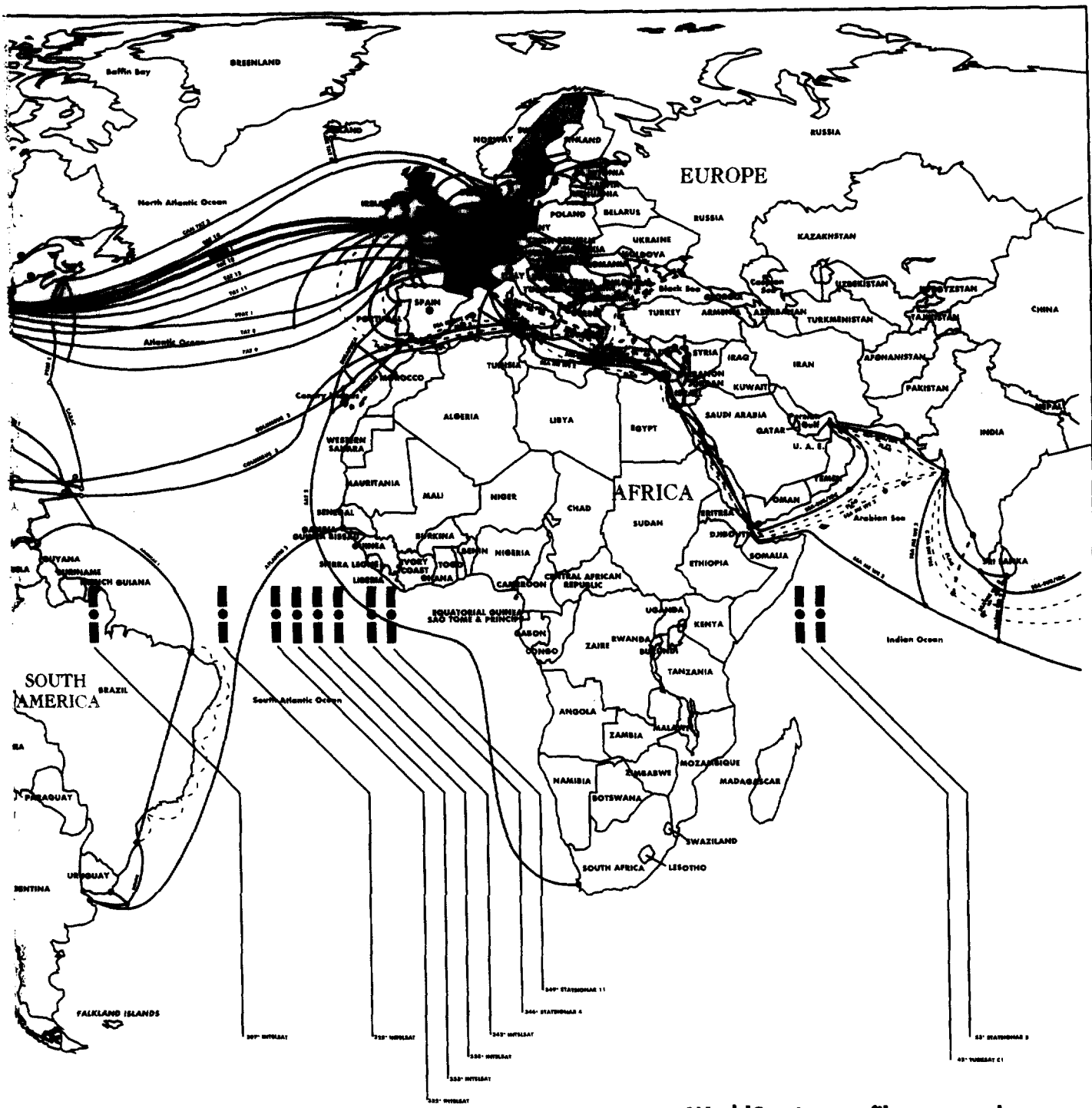
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BURUNDI
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ANGOLA
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NAMIBIA
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MADAGASCAR
SWAZILAND
SOUTH AFRICA
LESOTHO
SRI LANKA
GUYANA
SURINAME
FRENCH GUIANA
BRAZIL
PARAGUAY
URUGUAY
FALKLAND ISLANDS
WorldCom's own fiber network
Undersea Cable system
Satellite
Interconnect with national PTT

We have both local and international growing roughly 41%-42% per annum, between 1999 and 2002, with international being driven by true non-U.S. traffic growth on WorldCom's still expanding international, in-country and pan-continent network presence, such that the return traffic portion of international will be 5% or less by 2002 down from 20% today. The bulk of the growth rate in international will be derived from non-U.S. originating and non-U.S. terminating traffic on WorldCom's much broader array of local and pan-country networks. As for our local service forecast, by 2002, our estimate for WorldCom local service revenues will represent well below 10% of the business local market share, a share count, we doubt Bernie Ebbers will tolerate.

In fact, if one looks at all of WorldCom's addressable markets (i.e. U.S. long distance, 70%-75% of U.S. business local, Internet and international business markets in Europe and Asia, where WorldCom has facilities), our revenue forecasts imply that WorldCom only attains 20%-25% of the incremental growth of these markets. We estimate the target market size that WorldCom is addressing directly with its facilities is roughly $350 billion to $450 billion. We estimate that the market grows in absolute dollar terms by $30 billion to $35 billion per year versus our estimates for WorldCom absolute revenue growth of roughly $7 billion per year.

Considering that MCI itself has attained over 40% of the incremental growth in the U.S. long-distance market since 1990, with much less of a unique set of assets and nowhere near the head-start versus AT&T and Sprint that a WorldCom enjoys versus other carriers today, our revenue assumptions clearly seem low. The fact that MCI garnered so great a share of the incremental growth without having a unique set of assets, is a testimony to MCI's historic strengths in marketing and merchandising and in systems capabilities which lead to development of sophisticated product sets. One can only imagine MCI applying these historic strengths to WorldCom's truly unique sets of assets and going after a much larger market opportunity.

Revenue mix change drives margin expansion.

The point here is that the movement in revenues is being driven by services that are either already high-margin, low-churn services such as data and IP, or are services where the margins will likely explode as WorldCom leverages capital that has already been deployed by ramping revenues over fixed assets, most notably in the U.S. local markets and the international markets. Specifically, gross margins in data/IP run 75% vs. 35%-40% for long distance voice with data, having very little SG&A relative to voice and almost no churn. In addition, EBITDA margins among the PTTs[8] and Bells run at

[8] PTTs-Post Telephone and Telegraphs - traditionally, the monopoly government owned-telephone service providers in most foreign countries.

least 60% in business markets, cash flow margins typically, on average, double to triple that of long distance. Thus, WorldCom enjoys a double benefit in local and international, namely leveraging fixed assets while attacking the highest voice margin business in the world.

Most importantly, the revenue mix for WorldCom will become increasingly skewed away from the most vulnerable part of a long-distance portfolio – residential long distance, which is especially true as the Bells enter the market. However, it should be noted that 90%+ of MCI's 15 million residential customers utilize one or more MCI programs (for instance, MCI captures 95% of the frequent flyer mileage users who tie frequent flying to their long-distance calling plan). In fact, one-third of MCI's $5.7 billion residential revenues come from transactional revenues which will be impossible for a Bell to steal since they are generated on a call by call basis. Hence, even in residential long distance, MCI is somewhat insulated, a fact that has been borne out by the evidence of GTE, SNET and Century Telephone, all getting well over 80% of their residential long-distance customers out of AT&T, despite AT&T only having 60% of their market.

The upshot of the revenue mix is that WorldCom starts out today with the highest proportion of revenues in the data, IP and international space with this proportion rapidly moving in a more favorable fashion. Also, as we said, the revenue growth is being driven by services that have higher sustainable margins, lower sustainable churn or services like local and international, where assets which have been deployed will be fully leveraged to drive margins and profitability.

We Continue to Expect a Mid-Summer Close—A Little Primer on the Internet

There has been a lot of noise about the Department of Justice and European Union activity on the WorldCom front. In a nutshell, we fully expect this deal to close on time in the middle of the summer and we believe that the Department of Justice's inquiries into Internet will result in the conclusion that neither WorldCom/MCI nor anyone else has a dominant position in the Internet. In fact, given that Sprint itself on its Web page claims to carry 50%-60% of the IP traffic globally, we find it difficult to believe that they could object to the WorldCom deal. Similarly, GTE which has 24 strands of fiber from Qwest and ownership of BBN, itself a Tier I peering Internet provider, also seems a bit hypocritical in its objections. With the fiber builds of Qwest, IXC, Williams and Level 3 plus with no shortage of routers being manufactured by the likes of Cisco, the notion that any one entity can control Internet backbones—which are simply routers hooked to fiber—is preposterous. Furthermore, the notion that anyone, even Bill Gates or John Chambers, can differentiate what goes on these fiber routes, be it IP, e-mail or even voice is nonsense. Actually, if one perused the Websites of major

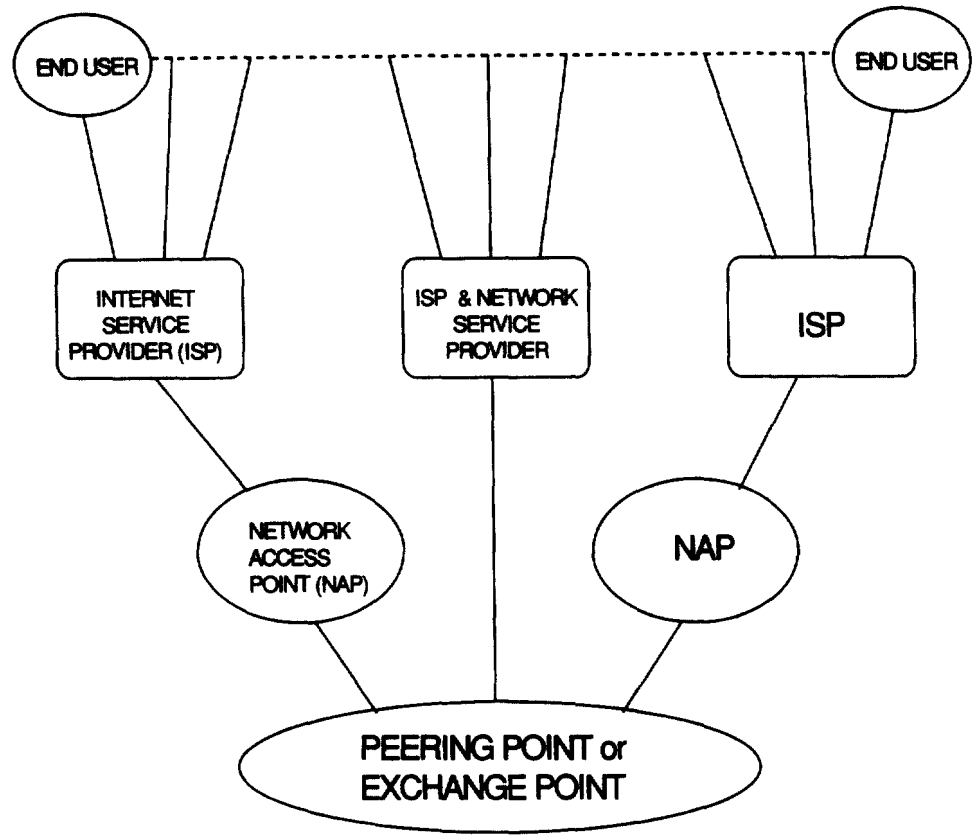
telecom carriers around the world, one would get IP traffic market share of 290% if all the claims by each carrier of what they carried of IP traffic were added together. Clearly, this is proof that nobody can accurately count IP packets.

In Figures 11 through 13, we attempt to display the inner skeleton of Internet traffic flows. Specifically, an end-user accesses the Internet via an ISP, which then connects into a network access point (NAP) where fees are collected to aggregate and distribute IP packets. These NAPs are really the nodes that play traffic cop on the Internet. As Figure 12 illustrates, the WorldCom family of companies (including MCI) only control 14% of these locations with this percent dropping on a daily basis, as more NAPs are created. Once an IP packet leaves a NAP, it goes to one of eight or nine IP peering points where IP packets are exchanged at the highest network level. These Metropolitan Area Exchanges or Federal Agency Interexchange Points are the true critical path for Internet transport. The fact is that the eight or nine peering points of the Internet (which are displayed in Figure 13) are not controlled by any corporate entity but rather are housed in academic and non-profit scientific institutions such as National Center for Atmospheric Research, Cornell University and the National Center for Super Computer Applications. No company has control of these peering points, although all Tier 1 peering ISPs (be it GTE/BBN, Sprint or WorldCom) have facilities in each of these peering points. In fact, GTE itself (which is one of the irritants against this deal) claims in its corporate advertising to be building an Internet backbone 100 times the size of the current Internet.[9]

Thus, we believe that once the exercise is over at the DOJ, the conclusion will be what it should be—that there is no issue with dominance in the Internet space. As we said, we expect a mid-summer close with no onerous concessions as a result of the DOJ investigation. Specifically, we believe the DOJ is most concerned that small ISPs who currently rely on UUNET for access and egress to the Internet are guaranteed service reliability. Thus, we believe the DOJ will want WorldCom to guarantee continued service provisions and access to these small ISPs. We do not believe the DOJ is particularly sensitive to the likes of GTE, since GTE is a major entity in and of itself with control of an Internet backbone, which GTE itself claims will be 100x the size of the current Internet.

On the FCC and state regulatory front, we believe that this will go rather smoothly since a WorldCom/MCI merger truly is a merger that legitimizes the Telecom Act of 1996, as it creates a fully integrated telecom competitor in the local markets.

[9] Barron's, March 30, 1998, p.3.



Source: Smith Barney Inc./Salomon Brothers Inc

	Backbone Speed	NAP Connections	
ACSI	T3	3	
AGIS	T3/OC3	6	
ANS*	T3	4	*WorldCom owned
AT&T	T3	4	
BAC	OC3	1	
BBN	T3/OC3	6	
Cable & Wireless	T3	4	
CompuServe*	T3	4	*WorldCom owned
CRL	T3	6	
Dataexchange	T3/OC3	3	
Digex	T3	6	
DRA Net	T3	5	
Epoch	T3	9	
Fibernet	T3	3	
Genuity	T3/OC3	9	
Geonet	T3	5	
Global Center	T3/OC3	10	
Goodnet	T3/OC3	5	
Gridnet*	T3	3	*WorldCom owned
IBM	T3	5	
Icon	T3/OC3	8	
MCI*	OC3/OC12	7	*WorldCom owned
Nap.Net	OC3	3	
Net Access	T3	3	
Netcom	T3	6	
Netrail	T3/OC3	8	
PSInet	T3	4	
Savvis	T3	-	
Sprint	OC3	6	
TCG Cerfnet	T3/OC3	6	
UUNet*	OC3/OC12	5	*WorldCom owned
Visinet	T3	2	
Total NAP Connections		159	
WorldCom owned		23	
% of Total		14%	

*Owned by WorldCom
NAP = Network Access Point
OC3 = 155 Mbps
OC12 = 622 Mbps
T3 = 45 Mbps
Source: Telegeography, Inc.

MAE=Metropolitan Area Exchange

FIX = Federal Agency Interexchange Point

Source: Smith Barney Inc./Salomon Brothers Inc

Explaining the Models

Overall Model Assumptions

We have mentioned earlier what our earnings forecasts and free cash flow forecasts are as well as our revenue mix changes. The bottom line is that WorldCom will achieve EPS growth (32%) greater than revenue growth (17%) due to positive revenue mix changes towards higher margin services and the realization of on-going synergies. We believe our model has upside to it for several reasons. One, we are assuming no revenue synergies whatsoever in our model and one has to assume that MCI's sales force selling to its existing customers should do easily as well as CLECs today are doing selling into no existing customer base. Thus, we would expect that certainly by the second half of 1999, we will see very significant revenue synergies simply by MCI siphoning off tens of thousands of local access lines from its existing business customer base and as we said the vast majority of MCI's business revenues come from customers who reside in buildings that WorldCom's local facilities service.

We believe we are being conservative in our model assumptions.

The second source of upside surprise in our 1999 numbers is the fact that this deal will close in the middle of 1998 and thus, we will have probably five months of synergies being developed in 1998 to have momentum coming into 1999. Thus, we believe the synergy number for 1999 on the cost side is

likely to be higher. Finally, the third source of upside potentially is that all earnings estimates are based on the middle of the $29-$41 collar. Of course, we believe that the likelihood is that WorldCom will be at or above the upper end of the collar and thus, the exchange ratio that we are using of 1.501 shares of WorldCom for each share of MCI at the midpoint of the collar could turn out to be 1.24 shares, which obviously helps pro forma EPS since less shares will be issued.

We should also note in our model that we are assuming a $3 billion in process R&D charge to be taken at the time of closure. If this charge is somewhat higher, perhaps as much as $9 billion, it would of course reduce the on-going goodwill hit to the numbers although not on a dollar-for-dollar basis because of the likely recalibrating of depreciation lives. As far as our margins are concerned, we believe that WorldCom's EBITDA margins, which currently are 30% will gradually rise to the mid-30s over the next few years which corresponds to the change in the revenue mix when one considers that the driver of revenues are services such as local and international as well as data and IP that have EBITDA margins significantly higher than those found in the domestic long-distance area.

In the sections that follow, we explain the various models which are included at the end of the report (in this section, we also include a capital expenditure break down for 1997 and 1998 for WorldCom, Brooks and CNS & ANS, with a discussion about MCI). We include revenue breakdown by service category models on a quarterly basis for 1998 (without MCI, Figure 16) and an annual basis for 1999 to 2007 (pro forma including MCI). In addition, we include a quarterly 1998 WorldCom (without MCI) earnings model (Figure 17), as well as an annual 1999 to 2007 WorldCom pro forma for MCI earnings model (Figure 19). Finally, we display a quarterly aggregate and core long distance 1998 earnings model for MCI - standalone in Figures 21 and 22. Last, but not least, we have included a 10 year discounted cash flow model for WorldCom in Figure 20, which gives credence to our price targets.

Revenue Models, Figures 16 & 18

FIGURE 16. QUARTERLY REVENUE MODEL. We display a quarterly 1998 revenue model (Figure 16) to back up our assumptions in our quarterly 1998 earnings model (Figure 17). The quarterly model breaks out CNS/ANS and Brooks Fiber revenues. The Brooks Fiber merger closed on January 29th, 1998 and is pooling therefore 1998 reflects a full year of Brooks' results. We have not yet restated 1997 for Brooks Fiber. The CompuServe/ANS merger closed on January 31st, 1998 and is purchase accounting therefore the first quarter of 1998 includes two months of CNS/ANS results. We leave CNS/ANS and Brooks as separate line items in this model to highlight the growth rates of standalone WorldCom.

We have not included MCI in this model, since MCI is also a purchase transaction. Thus, WorldCom's 1998 income statement will not be restated for the full year to account for MCI. However, as seen in Figures 21 and 22 (MCI earnings models) we will point out that for 1998, we estimate that MCI will have $21.4 billion in total revenues (8% above 1997) with core long-distance revenues of $18.4 billion (only 4.5% above 1997) and we are estimating standalone 1998 EPS for MCI of $1.10, essentially flat with 1997, with an EPS estimate of $0.19 per share for 1Q98 vs. $0.42 in 1Q97, but above 4Q97's $0.10 per share. Also, as seen in Figures 21 and 22, we are assuming no acceleration in either overall or core long-distance revenue growth for MCI in 1999 vs. 1998 and our implied EPS for 1999 for MCI, which is embedded in our WorldCom model, is only $1.30 per MCI stand alone share.

FIGURE 18 ANNUAL REVENUE MODEL. When WorldCom begins to report combined financials, the company will place the revenues from MCI, CNS/ANS, and Brooks into WorldCom's traditional disclosure categories (Domestic Switched, Domestic Private Line, International, and Internet) which we estimate in Figure 18. We attempt in Figure 18, to peel the onion back even further by attempting to split Domestic Switched revenues into business long distance, residential long distance and local. As you might expect, this is not an exact science since when combining companies there are always restatements to conform to the acquiring companies accounting methods of calculating revenues (one example is that bad debt can either be netted out of revenues or taken out of expenses). In any event we estimate what the revenue line items will look like including the acquisitions in Figure 18.

For Figure 18, we place the full amount of CNS/ANS revenues into the Internet revenue line which is the logical place for 100% of these revenues. For our purposes, we place 100% of the Brooks Fiber revenues into the domestic switched local category, although there may be a small amount which may be categorized as private line revenues. For MCI in 1999, we estimate that 73% of MCI revenues should be placed in the domestic switched services category, 17% in domestic private line/data revenues, 2% in Internet, and 8% in other since these revenues relate to SHL Systemhouse. Overall, we have MCI's revenues growing at a single digit rate beyond 1999 and in general, we feel the result of our revenue analysis shows the conservative nature of our estimates. We have pro forma Business Long Distance Switched Services growing at 8% from 1999 onward (half the current pro forma growth rate) and Residential Switched long-distance revenues shrinking 1% per year, attempting to reflect a more competitive environment.

Margin Analysis

The revenue mix analysis leads to the jump in margins we are projecting for the combined company. Specifically, we see gross margins rising from 52.6% in 1999 up to 56% in 2002 and EBITDA margins rising from 31% in 1999 to 36% in 2002. As shown in the annual revenue model, Figure 18, data and Internet revenues are growing at over twice the growth rates of voice. Data and Internet are higher margin businesses relative to traditional voice due to the relatively smaller amount of SG&A required for these businesses, as well as having lower transport costs relative to prices and not having to pay switched access fees. In addition, international and local revenues (also growing at more than twice the rate of long-distance revenues) are higher margin businesses as well. In local, WorldCom's CLEC operation is targeting businesses of the RBOCs, which currently have EBITDA margins in the 40% range for the combined company and business EBITDA margins (where WorldCom is targeting) in the 60% range. Similarly with international revenues, WorldCom is targeting the margins of the foreign PTTs with EBITDA margins in the 50% range and operating margins in the 30% range. Furthermore, WorldCom's margins will rise as the company is leveraging assets which were recently deployed. In other words, as time passes on the operations of MFS, Brooks Fiber, Europe, and Asia will mature and boost the margins of the overall combined company. Furthermore, as the portion of revenues coming from residential long distance (a lower relative margin business) shrinks from 15% in 1999 to under 9% in 2002 margins are enhanced.

Annual 1997A-2007E Income Statement, Figure 19

We reflect MCI in Figure 19 starting in 1999.

We still anticipate that the MCI merger will close this summer but we wait until 1999 to reflect MCI's results in our model. WorldCom is guiding analysts to wait until 1999 to add MCI into earnings models since a month or two difference in the assumption of timing of closure makes a large difference in the model and therefore consensus estimates will be apples to apples if everyone waits until 1999.

The MCI merger terms in review and shares outstanding calculation.

WorldCom and MCI have reached a definitive merger agreement which translates to a $51 MCI price. The class A shares held by British Telecom will receive $51 in cash. MCI common shareholders will receive a fixed price of $51 per share within a collar of prices for WorldCom of $29 to $41 and a floating price, fixed exchange ratio outside the collar. The fixed exchange rate above $41 per WorldCom share is 1.2439 and the fixed exchange rate below the collar ($29 per share) is 1.7586. At $35 the midpoint of the range the exchange rate is 1.501. To be conservative, in our model we assume the midpoint of the range although we do believe WorldCom's stock price will be higher at the time of deal closure which implies lower shares outstanding and higher earnings per share. To calculate shares outstanding in 1999 we take the 1998 shares of WorldCom (including Brooks and CNS/ANS) of

1.073 billion and add in 583 million common shares (total shares outstanding of 720 million for MCI less 137 BT shares) multiplied by 1.501. The result is our assumption of 1.95 billion shares outstanding for WorldCom pro forma for MCI in 1999, a share count that is likely to be proven too high.

MCI is a purchase accounting transaction.

Since MCI is a purchase accounting transaction, there is a significant goodwill charge. The equity value of MCI is approximately $11 billion and the purchase price is $37 billion. If the resulting $26 billion of goodwill is amortized over 40 years, the per year amortization of goodwill created in this transaction is $650 million per year. WorldCom is expected to take a $3 billion or larger in process R&D charge to reduce goodwill to $23 billion, but then the depreciable lives would be restated downward for the remaining goodwill and the per year goodwill charge would still likely be in the $650 million range. However, WorldCom is using something called fair value accounting which will lower current depreciation for WorldCom and MCI by approximately $500 million per year and therefore the net incremental depreciation and amortization from the MCI transaction is only in the $150 million range.

Fair value accounting (which MCI had been working on with BT) takes independent appraisals into consideration when valuing communications equipment and software, and writes down to "fair value" the equity associated with a piece of equipment. The consequence of this is that MCI's book equity value declines because the value of certain equipment is lower. However, this helps EPS calculations because in essence, 15 to 20 year depreciation lives on this equipment is swapped for 40 year amortization of the incremental goodwill caused by the downward revision of book value due to the write down of the old equipment.

LINE COSTS AND OPERATING EXPENSES. WorldCom reported fourth quarter 1997 operating expenses equal to 49.2% of revenues and we are estimating full year 1998 operating expenses to rise slightly to be close to 50% of revenues (including CompuServe and Brooks Fiber). For 1999 including MCI, we are estimating line costs and operating expenses to be 47.4% of revenues including synergies of $1.2 billion. Excluding the $1.2 billion in synergies in 1999 (which we detailed earlier in this report in the synergies section), we are looking for line costs and operating expenses to be 50.6% of revenues which is consistent with our previous standalone WorldCom estimate of 50% and standalone MCI estimate of 52%. By 2002, we see line costs and operating expenses falling to 44% of revenues driven by the changes in revenue mix driven by higher margin businesses such as data, Internet, local and international becoming a greater portion of total revenues versus the lower margin business of domestic switched long distance and also due to higher expense synergies from the combination with MCI totaling $3.9 billion in 2002.

SELLING GENERAL & ADMINISTRATIVE EXPENSES. WorldCom reported fourth quarter 1997 SG&A equal to 20.0% of revenues and we are estimating full year 1998 SG&A to remain basically flat at 19.9% of revenues (including CompuServe and Brooks Fiber). For 1999 including MCI, we are estimating SG&A to be 21.6% of revenues including synergies of $1.3 billion. Excluding the $1.3 billion in SG&A synergies in 1999, SG&A expenses are 25% of revenues which is being driven by WorldCom's SG&A of 19% of revenues and MCI's SG&A in the 28% range. By 2002, we see SG&A expenses falling slightly to 20% of revenues mainly for two reasons: First, higher SG&A synergies from the combination with MCI which total $1.7 billion in 2002 and secondly, the fact that revenues from low SG&A businesses such as data and Internet become a larger portion of total revenues.

EBITDA. WorldCom reported fourth quarter 1997 EBITDA of $617 million equal to 30.8% of revenues. We are estimating full year 1998 EBITDA of $3.3 billion (excluding MCI but including CompuServe and Brooks Fiber) for an EBITDA margin of 30.2%. For 1999 including MCI, we are estimating $11.8 billion in EBITDA or 31% of revenues including synergies from the MCI transaction of $2.5 billion. Excluding the $2.5 billion in synergies in 1999 (which we detailed earlier in this report in the synergies section), EBITDA would be $9.3 billion or 24.5% of revenues which is driven by a WorldCom standalone 1999 estimated EBITDA margin in the 31%-32% range and a standalone MCI 1999 estimated EBITDA margin in the 19%-20% range. By 2002, we see EBITDA margins rising to the 36% range driven by the changes in revenue mix (higher margin businesses such as data, Internet, local and international becoming a larger portion of revenues versus the lower margin businesses of business and residential domestic switched long distance see Figure 18) and due to higher operating expense and SG&A synergies from the combination with MCI totaling $5.6 billion in 2002.

Income Statement Adjustments for CompuServe and Brooks Fiber

The CompuServe (CNS/ANS) acquisition is reflected in the earnings model after the 1/31/98 closing date.

On January 31, 1998, the merger between WorldCom and CompuServe Corporation was completed. CompuServe's financials are integrated into WorldCom's income statement under the purchase method of accounting (as reflected in WorldCom's quarterly 1998 income statement, Figure 17). As part of the transaction, WorldCom acquired ANS Communications from America Online Inc. (AOL's backbone Internet provider) and has entered into five year contracts with AOL under which WorldCom will provide network services to AOL. In addition, AOL received CompuServe's Interactive Services Division and $175 million in cash and WorldCom is retaining CompuServe Network Services (CNS) division. As a result, WorldCom is retaining the backbone Internet (the wholesale part of CompuServe's and AOL's business which is similar to UUNET's operations) without having exposure to direct dial-up end user customers. On January

31st, each share of CompuServe stock (approximately 93 million shares outstanding) was converted into 0.40625 shares of WorldCom common stock. Therefore, approximately 38 million WorldCom shares were issued in connections with the CompuServe acquisition. CompuServe brings $200 million in cash to WorldCom and no debt. Therefore, the cash that WorldCom received from CompuServe will be passed through to AOL so the two transactions are essentially cash-neutral to WorldCom, no debt was acquired and therefore the total purchase price for these two data networking businesses was roughly 38 million shares of stock.

As a result of purchase accounting CNS/ANS results are reflected for only two of the three months in the first quarter of 1998.

As the CompuServe acquisition was purchase accounting we reflect the CNS/ANS results in the WorldCom income statement for two months (February and March) in the first quarter of 1998. Therefore the growth rate for CNS/ANS revenues is not an apples to apples comparison sequentially from first quarter 1998 to second quarter 1998, and from 1999 over 1998.

The CNS/ANS acquisition is accretive from day one.

The CNS/ANS acquisition is accretive from day one as WorldCom is adding slightly over $1 billion in annual revenues growing at a mid to high 30% growth rate. (On a standalone basis, CNS was growing roughly 30% per year while ANS was growing 40%). In addition, CNS and ANS combined have roughly $210 million of EBITDA and there are upwards of $70-$80 million in synergies—80% of which are network synergies which are identifiable. Specifically, fourth quarter 1997 pro forma revenues for CNS/ANS were $231 million up 54% from fourth quarter 1996 with EBITDA margins of 17% pre-synergies. Therefore, based on fourth quarter 1997 results our growth rate assumptions are modest. Goodwill from this transaction totals slightly over $1.2 billion of which $429 million will be immediately expensed in the first quarter of 1998 (not reflected in our earnings model since we are projecting results excluding non-recurring items for 1998 and 1999) and the remaining $780 million will be amortized over 10 years. The $78 million per year in amortization of goodwill is tax deductible.

The Brooks Fiber merger is reflected using the pooling method of accounting and is 100% reflected in all four quarters of 1998.

The merger between WorldCom and Brooks Fiber was completed on January 29, 1998 and qualified as a pooling of interests transaction. Therefore, Brooks is reflected in all three months of the first quarter of 1998 in our WorldCom quarterly 1998 earnings model (Figure 17). As a result of the merger, each of the 40 million fully diluted shares outstanding of Brooks Fiber common stock was converted into 1.85 shares of WorldCom common stock for a resulting increase of roughly 74 million shares to WorldCom's share count. Brooks Fiber had full year 1997 revenues of $129 million and a $26 million EBITDA loss. Brooks' revenues in the fourth quarter of 1997 were $44.6 million (up 175% over fourth quarter 1996) with an EBITDA loss of $4.7 million. Our 1998 revenue estimate for Brooks which is incorporated into our WorldCom model reflects revenues of $366 million or a growth rate of 184% over 1997 revenues. On a standalone basis, Brooks would have had positive EBITDA in the $35 million range for 1998. Brooks'

capital expenditures totaled $422 million in 1997 with $131 million in the fourth quarter of 1997. In addition, since Brooks is pooling, WorldCom will have to go back and restate 1997 numbers to reflect Brooks Fiber by quarter which we will also do as WorldCom provides restated numbers.

The Brooks Fiber merger is an integral part of the local synergies with MCI.

The Brooks' merger is basically neutral to WorldCom's 1998 results and positive in 1999 due to revenue synergies by cross-selling products to each other's customers in addition to SG&A and other synergies from the combination of operations and offices. In addition, Brooks accelerates WorldCom's local market entry in secondary markets by one to two years, expands WorldCom's local presence from 52 markets to 86 markets, fuels top-line revenue growth, adds significant local fiber networks and local switching capacity, and adds additional local access expertise. Therefore, the Brooks merger, which adds very dense, local CLEC networks and sophisticated systems, enhances the synergies to be realized by WorldCom's combination with MCI.

Capital Expenditures Break Out

We anticipate the combined WorldCom/MCI to spend $7 billion in capital spending in 1999, ramping to $8 billion by 2002 and $13 billion by 2007. As a percent of revenue, capital expenditures should decline from 18% of revenues in 1999 to 10% of revenues by 2007, which is a reasonable level in a more steady state environment. In Figure 14 below, we display WorldCom's 1997 and 1998 capital spending by category, with these figures including Brooks Fiber, CNS&ANS but excluding MCI since MCI's capital budget is likely to be altered post-merger and MCI has a significant amount of software and systems expenditures, which do not coincide with WorldCom's hard asset category.

Having said this, one can see in the Figure 14 below that WorldCom's capital spending will rise 21% in 1998 over 1997, a function of the rapid growth of this company. The increases are in growth areas of international and Internet, with each of these categories more than doubling in 1998 vs. 1997. In contrast, WorldCom's long-distance construction project is largely behind it, as evidenced by the decline in spending in that area, as is the heavy expenditures in local infrastructure buildout as WorldCom's and Brooks' networks are now in a success-driven mode as opposed to an up-front buildout mode—which of course, bodes well for margin expansion as more local revenues are put on these network assets.

A note about MCI is that their overall capital expenditures in 1998 are expected to be about $600 million less than WorldCom's total spending, with the long-distance network being the only area where MCI will spend more, about $1.3 billion whereas in international, MCI is only expected to spend about 20% of what WorldCom will spend and MCI will spend nowhere near what WorldCom is spending on Internet. However, as we

alluded to above, MCI's spending on systems and software well exceeds anything that WorldCom does. This distribution of capital spending between the two companies is a microcosm of the synergistic benefits of this merger because it clearly demonstrates that the respective spending by WorldCom and MCI is very complementary to developing a fully integrated on-net provider of voice, data and IP services.

[redacted]

$ in millions

WorldCom (includes Brooks Fiber, CNS&ANS; excludes MCI)	**1997A**	**1998E**
Local	$881	$592
Long Distance	656	829
International	398	848
Internet	323	808
Local Construction	354	442
Long Distance Construction	536	296
Total	**$3.148**	**$3.815**

Source: Smith Barney Inc./Salomon Brothers Inc

Discounted Cash Flow Statement, Figure 20

We have provided a ten-year discounted cash flow statement in Figure 20. We assume a discount rate of 13% in-line with WorldCom's weighted average cost of capital and a 2007 terminal firm value to EBITDA multiple of 8-10 times (which we believe is conservative since 2007 over 2006 EBITDA is still growing over 16% and this terminal multiple defaults into a 2007 P/E of 16.6x, below the estimated 2007/2006 EPS growth rate of 19%). We add up WorldCom's discounted free cash flow from 1998 through 2007 (this is post capital spending of $7 billion in 1999 and growing to $13 billion by year 2007) plus the present value of putting a 8-10x multiple of 2007 EBITDA to get to our theoretical firm value of $164 billion at the mid-point of the range. We then subtract pro forma net debt of $21 billion for a theoretical value of $143 billion or $74 per share of at the mid-point. We then conservatively put a 17.5% trading discount on the theoretical value per share for a resulting trading value of $61 at the mid-point.

Final Word on Valuation

We would argue, that no matter how one slices it WorldCom is worth $60 a share over the next 12 months and $90 a share over the next 24 months. We believe WorldCom deserves a P/E on an on-going basis consistent with other large cap blue-chip growth stocks which would put it decidedly in the 30+ P/E range. In addition, our discounted cash flow analysis suggests fair value of over $70 per share today using very conservative terminal value multiples of earnings and EBITDA. Finally, WorldCom trades at one of the lowest ratios of firm value/EBITDA relative to EBITDA growth among the entire universe of global telecom stocks (see Figure 15), a universe that has over $1 trillion of market cap. For those that are interested, accompanying WorldCom on the cheapness scale are Telefonica de Argentina (TAR), OTE from Greece, CANTV from Venezuela, Telecommunicaciones de Chile (CTC) and Telebras (TBR) representing the six cheapest telecom stocks in the world on this measure.

Therefore, no matter how one looks at this, WorldCom represents a very cheap, large cap growth stock on a global basis with an unmatched set of strategic assets in its industry—a stock that is cheap relative to other large cap growth stocks in the S&P and a stock that is one of the cheapest telecom values in the world when indexed to its growth rate.

Telefonica de Argentina	TAR	$36.25	$8,548	4.7	12.2%	0.38
WorldCom (Proforma for MCI)	WCOM	$42.75	$83,260	8.8	20.8%	0.42
Telebras	TBR	$123.00	$39,444	3.5	7.9%	0.45
Telecomunicaciones de Chile	CTC	$27.13	$5,940	7.0	15.4%	0.45
CANTV	VNT	$40.63	$5,804	4.1	8.8%	0.47
OTE	HTO.GA	8,010	$11,706	5.9	12.0%	0.49
Sprint	FON	$66.00	$28,380	6.9	9.7%	0.71
Telefonica del Peru	TDP	$21.56	$5,041	5.3	6.3%	0.85
Telecom Argentina	TEO	$34.38	$6,768	4.5	5.0%	0.89
Frontier Corporation	FRO	$31.75	$5,212	9.2	8.6%	1.07
TelMex	TMX	$53.63	$22,209	4.9	4.5%	1.08
Century Telephone	CTL	$41.69	$3,827	8.1	7.4%	1.10
GTE	GTE	$60.56	$57,843	7.2	6.4%	1.13
Telekom Malaysia	T.MK	11.40	$8,586	8.0	5.8%	1.39
AT&T	T	$65.44	$106,598	8.3	5.6%	1.49
Bell Atlantic	BEL	$100.38	$77,941	6.6	4.1%	1.61
SBC Communications	SBC	$43.00	$78,862	7.7	4.4%	1.73
BellSouth	BLS	$66.88	$66,340	7.2	4.0%	1.79
Telecom Italia	TI	$82.25	$43,222	3.9	2.1%	1.88
Ameritech	AIT	$48.00	$52,665	8.3	4.2%	2.00
Portugal Telecom	PT	$55.25	$10,488	7.2	2.7%	2.63
US WEST Communications	USW	$55.50	$26,890	6.5	2.2%	2.99
KPN	KPN	$52.38	$24,497	6.9	2.0%	3.41
Tele Danmark	TLD	$44.50	$11,659	7.7	1.8%	4.35

Source: Smith Barney Inc./Salomon Brothers Inc

Investment Conclusion

WorldCom is a must own stock. This is a company that has an unmatched set of strategic assets, is well positioned to take advantage of the growth areas in telecom, is led by the CEO that has created more shareholder value than any in this industry over the last 10 years and offers a very cheap valuation relative to its growth, especially when one considers its very strong strategic position.

$ in millions

	Q1A	Q2A	Q3A	Q4A	1997A	Q1E	Q2E	Q3E	Q4E	1998E
Domestic Switched Services	**$951.9**	**$966.8**	**$1,009.4**	**$1,064.0**	**$3,992.1**	**$1,111.9**	**$1,156.4**	**$1,220.0**	**$1,288.3**	**$4,776.5**
Revenue Growth Rate (yr. over yr.)	23.0%	21.7%	19.8%	16.6%	20.1%	16.8%	19.6%	20.9%	21.1%	19.6%
Sequential Growth	4.3%	1.6%	4.4%	5.4%		4.5%	4.0%	5.5%	5.6%	
% of Total Revenues	56.8%	54.6%	53.1%	53.1%	54.3%	48.2%	45.1%	43.3%	41.7%	44.3%
Domestic Private Line	**$352.7**	**$371.7**	**$406.3**	**$444.4**	**$1,575.1**	**$480.0**	**$513.5**	**$559.8**	**$612.9**	**$2,166.2**
Revenue Growth Rate (yr. over yr.)	34.0%	34.6%	35.7%	35.4%	35.0%	36.1%	38.2%	37.8%	37.9%	37.5%
Sequential Growth	7.5%	5.4%	9.3%	9.4%		8.0%	7.0%	9.0%	9.5%	
International	**$163.8**	**$197.0**	**$219.9**	**$237.8**	**$818.5**	**$266.3**	**$298.3**	**$334.1**	**$374.2**	**$1,272.9**
Revenue Growth Rate (yr. over yr.)	88.5%	82.9%	80.8%	55.5%	74.5%	62.6%	51.4%	51.9%	57.4%	55.5%
Sequential Growth	7.1%	20.3%	11.6%	8.1%		12.0%	12.0%	12.0%	12.0%	
Internet/a	**$111.2**	**$125.8**	**$147.1**	**$181.9**	**$566.0**	**$218.3**	**$251.0**	**$301.2**	**$361.5**	**$1,132.0**
Revenue Growth Rate (yr. over yr.)	185.1%	133.0%	111.0%	101.0%	123.5%	96.3%	99.5%	104.8%	98.7%	100.0%
Sequential Growth	22.9%	13.1%	16.9%	23.7%		20.0%	15.0%	20.0%	20.0%	
CNS & ANS Revenues						**$174.8**	**$272.6**	**$300.3**	**$323.5**	**$1,071.2**
Revenue Growth Rate (yr. over yr.)									40.1%	
Sequential Growth							NME	10.2%	7.7%	
Brooks Revenues						**$56.5**	**$75.0**	**$102.2**	**$131.7**	**$365.4**
Revenue Growth Rate (yr. over yr.)						175.0%	170.0%	185.0%	195.2%	183.7%
Sequential Growth						26.7%	32.8%	36.2%	28.8%	
Core Revenues	**$1,579.6**	**$1,661.3**	**$1,782.7**	**$1,928.1**	**$6,951.7**	**$2,307.8**	**$2,566.8**	**$2,817.5**	**$3,092.0**	**$10,784.2**
Revenue Growth Rate (yr. over yr.)	35.8%	34.8%	33.7%	29.9%	33.4%	46.1%	54.5%	58.0%	60.4%	55.1%
MFS Network Systems & WCOM Other	$97.6	$108.8	$118.5	$74.7	$399.6	$0.0	$0.0	$0.0	$0.0	$0.0
Revenue Growth Rate (yr. over yr.)	21.1%	6.3%	(2.5)%	(36.7)%	(5.4)%	NME	NME	NME	NME	NME
Total Revenues	$1,677.2	$1,770.1	$1,901.2	$2,002.8	$7,351.3	$2,307.8	$2,566.8	$2,817.5	$3,092.0	$10,784.2
Revenue Growth Rate (yr. over yr.)	34.6%	32.7%	30.7%	25.0%	30.5%	37.6%	45.0%	48.2%	54.4%	NMF
Sequential Growth	4.7%	5.5%	7.4%	5.3%		15.2%	11.2%	9.8%	9.7%	

The Brooks Fiber acquisition closed 1/29/98 & is pooling thus, 1998 reflects a full year of BFPT results. 1997 has not yet been restated for Brooks.
The Compuserve/ANS acquisition close 1/31/98 and is purchase accounting therefore Q1'98 includes 2 months of CNS/ANS results.

1997 & 1998 HAVE NOT BEEN RESTATED FOR MCI
Source: Smith Barney Inc./Salomon Brothers Inc

[redacted]

$ in millions, except per-share data

	Q1A	Q2A	Q3A	Q4A	1997A	Q1E	Q2E	Q3E	Q4E	1998E	1999E
Total Revenues	$1,677.2	$1,770.1	$1,901.2	$2,002.8	$7,351.3	$2,307.8	$2,566.8	$2,817.5	$3,092.0	$10,784.2	$38,058.7
Revenue Growth Rate (yr. over yr.)	34.6%	32.6%	30.7%	25.0%	30.5%	37.6%	45.0%	48.2%	54.4%	46.7%	252.9%
MCI Network Expense Synergies											(1,200.0)
Total Line Costs & Operating Expenses	$911.5	$922.4	$971.9	$986.8	$3,791.6	$1,158.2	$1,285.0	$1,400.0	$1,525.0	$5,378.2	$18,039.8
Expense Growth Rate (yr. over yr.)	35.5%	27.0%	20.7%	7.5%	21.5%	26.2%	39.3%	44.0%	54.7%	41.8%	235.4%
Operating Expenses/Revenues	54.3%	52.1%	51.1%	49.2%	51.6%	50.6%	50.1%	49.7%	49.3%	49.9%	47.4%
Gross Margin	$765.7	$847.7	$929.3	$1,017.0	$3,559.7	$1,139.6	$1,281.8	$1,417.5	$1,567.0	$5,406.0	$20,018.9
Gross Margin (Percentage)	45.7%	47.9%	48.9%	50.8%	48.4%	49.4%	49.9%	50.3%	50.7%	50.1%	52.6%
MCI SG&A Synergies											(1,300.0)
Total SG&A	$372.3	$380.7	$387.8	$389.6	$1,540.4	$465.0	$510.0	$565.0	$610.0	$2,150.0	$8,210.4
SG&A Growth Rate (yr. over yr.)	20.1%	14.1%	8.7%	9.2%	12.6%	24.9%	34.0%	45.7%	52.7%	39.6%	281.9%
SG&A/Revenues	22.2%	21.5%	20.4%	20.0%	21.0%	20.1%	19.9%	20.1%	19.7%	19.9%	21.6%
EBITDA	$393.4	$467.0	$541.5	$617.4	$2,019.3	$674.6	$771.8	$852.5	$957.0	$3,256.0	$11,809.4
EBITDA Growth Rate (yr. over yr.)	90.6%	70.0%	64.6%	93.6%	75.9%	71.5%	65.3%	57.5%	55.0%	61.2%	262.7%
EBITDA Margin	23.5%	26.4%	28.5%	30.8%	27.5%	29.2%	30.1%	30.3%	31.0%	30.2%	31.0%
WCOM Depreciation & Amortization	$150.4	$155.2	$159.0	$166.0	$630.5	$159.4	$174.4	$189.4	$209.4	$732.6	$864.5
MCI Depreciation & Amortization											2,479.3
Depreciation Writedown Effect											(500.0)
Goodwill From MCI											650.0
CNS & ANS Depreciation						15.0	17.5	20.5	26.5	79.5	96.3
Brooks Depreciation						11.4	19.4	21.4	29.4	81.5	110.2
Amortization of MFS & UUNET Goodwill	51.5	51.5	51.5	51.5	206.0	51.5	51.5	51.5	51.5	206.0	206.0
Amortization of Network Technology (MFS)	20.0	20.0	20.0	20.0	80.0	20.0	20.0	20.0	20.0	80.0	80.0
Amortization of Assembled Work Force (MFS)	1.1	1.1	1.1	1.1	4.2	1.1	1.1	1.1	1.1	4.2	4.2
Amortization of CNS & ANS Goodwill (Tax Deductible)						13.0	19.5	19.5	19.5	71.5	78.0
Total Depreciation & Amortization	$222.9	$227.8	$231.5	$238.5	$920.7	$271.3	$303.3	$323.3	$357.3	$1,255.3	$4,068.5
Total Expenses	$1,506.7	$1,530.9	$1,591.3	$1,623.9	$6,252.7	$1,894.5	$2,098.3	$2,288.3	$2,492.3	$8,783.5	$30,318.7
Operating Income	$170.5	$239.2	$309.9	$378.9	$1,098.6	$403.2	$468.5	$529.2	$599.7	$2,000.7	$7,739.9
Operating Margin	10.2%	13.5%	16.3%	18.9%	14.9%	17.5%	18.3%	18.8%	19.4%	18.6%	20.3%
Interest Expense	(75.5)	(77.7)	(81.8)	(84.8)	(319.7)	(86.6)	(101.6)	(121.6)	(131.6)	(441.5)	($1,350.0)
Interest Income	8.4	2.3	6.1	3.6	20.4	10.0	10.0	10.0	10.0	40.0	0.0
Total Net Interest Expense	($67.1)	($75.4)	($75.7)	($81.2)	($299.3)	($76.6)	($91.6)	($111.6)	($121.6)	($401.5)	($1,350.0)
Total Other Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(60.0)
Pretax Income Pro Forma	$103.4	$163.8	$234.3	$297.7	$799.2	$326.6	$376.9	$417.6	$478.1	$1,599.2	$6,329.9
Total Taxes	(53.8)	(85.2)	(121.8)	(154.8)	(415.6)	(145.3)	(167.7)	(185.8)	(212.8)	(711.6)	(2,679.3)
Income Tax Rate	52.0%	52.0%	52.0%	52.0%	52.0%	44.5%	44.5%	44.5%	44.5%	44.5%	42.3%
Net Income	$49.6	$78.6	$112.4	$142.9	$383.6	$181.3	$209.2	$231.8	$265.3	$887.5	$3,650.7
Preferred Dividends	(6.6)	(6.6)	(6.6)	(6.6)	(26.4)	(6.6)	(6.6)	(6.6)	(6.6)	(26.4)	(26.4)
Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income to Common	$43.0	$72.0	$105.8	$136.3	$357.2	$174.7	$202.6	$225.2	$258.7	$861.1	$3,624.3
Shares Outstanding/a	950.2	958.7	967.3	969.4	961.4	1065.9	1072.6	1072.6	1072.6	1070.9	1947.6
Normalized Earnings Per Share	$0.05	$0.08	$0.12	$0.15	$0.40	$0.17	$0.20	$0.22	$0.25	$0.83	$1.87
EPS Growth Rate (yr. over yr.)	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf
Special "Cash" Earnings Per Share/b	$0.20	$0.26	$0.34	$0.38	$1.18	$0.25	$0.28	$0.30	$0.33	$1.17	$2.40
Traditional Cash Earnings Per Share/c	$0.29	$0.32	$0.36	$0.39	$1.36	$0.42	$0.48	$0.52	$0.58	$2.00	$3.96
EBITDA Per Share	$0.41	$0.49	$0.56	$0.64	$2.10	$0.63	$0.72	$0.79	$0.89	$3.04	$6.06
EBITDA/Share Growth Rate (yr. over yr.)	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf

A Actual. E Salomon Smith Barney Estimate. EBITDA Earnings before interest, taxes, depreciation, and amortization. SG&A Selling, general and administrative. nmf not meaningful.

/a 1999 shares outstanding include 875 million shares related to the MCI acquisition which assumes an exchange ratio of 1.501x which is the midpoint of the range.

/b Special "cash" earnings per share as defined by WorldCom adds back MFS purchase accounting amortization and cash utilization of MFS tax loss carryforwards. From 1998 onward we have included CNS/ANS goodwill in this calculation. From 1999 onward we have included MCI amortization in this calculation.

/c Earnings per share plus depreciation and amortization per share.

The Brooks Fiber acquisition closed 1/29/98 and is pooling therefore 1998 reflects a full year of BFPT results. 1997 HAS NOT BE RESTATED FOR BFPT.

The Compuserve/ANS acquisition close 1/31/98 and is purchase accounting therefore Q1'98 includes 2 months of CNS/ANS results.

1997 & 1998 HAVE NOT BEEN RESTATED FOR MCI -- 1999 HOWEVER DOES INCLUDE MCI.

Source: Smith Barney Inc./Salomon Brothers Inc

Figure [illegible]: WorldCom Annual Revenue Breakdown (Including Brooks, [illegible]

$ in millions

	1998E	1999E	2000E	2001E	2002E	2003E	2004E	2005E	2006E	2007E	'99-'04 CAGR	'99-'07 CAGR
Business Long Distance Switched Services	$14,487.8	$15,141.8	$16,463.0	$17,638.5	$18,676.8	$20,281.9	$21,960.2	$23,735.3	$25,588.6	$27,420.9	7.7%	7.7%
Revenue Growth Rate (yr. over yr.)		4.5%	8.7%	7.1%	5.9%	8.6%	8.3%	8.1%	7.8%	7.2%		
% of Total Revenues	43.5%	39.8%	36.5%	33.1%	29.8%	27.8%	26.0%	24.2%	22.5%	20.7%		
Residential Long Distance Switched Services	$5,989.8	$5,690.4	$5,605.0	$5,532.1	$5,465.7	$5,411.1	$5,357.0	$5,303.4	$5,250.4	$5,197.9	(1.2%)	(1.1%)
Revenue Growth Rate (yr. over yr.)		-5.0%	-1.5%	-1.3%	-1.2%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%		
% of Total Revenues	18.0%	15.0%	12.4%	10.4%	8.7%	7.4%	6.3%	5.4%	4.6%	3.9%		
Total Long Distance Switched Services	$20,477.6	$20,832.1	$22,068.0	$23,170.6	$24,142.6	$25,693.0	$27,317.2	$29,038.7	$30,838.9	$32,618.8	5.6%	5.8%
Revenue Growth Rate (yr. over yr.)		1.7%	5.9%	5.0%	4.2%	6.4%	6.3%	6.3%	6.2%	5.8%		
% of Total Revenues	61.5%	54.7%	48.9%	43.4%	38.5%	35.2%	32.3%	29.6%	27.1%	24.6%		
Local Domestic Switched Services	$1,431.4	$2,205.5	$3,239.1	$4,442.5	$6,008.7	$7,222.7	$8,617.5	$10,220.2	$12,109.3	$14,338.2	31.3%	26.4%
Revenue Growth Rate (yr. over yr.)		54.1%	46.9%	37.2%	35.3%	20.2%	19.3%	18.6%	18.5%	18.4%		
% of Total Revenues	4.3%	5.8%	7.2%	8.3%	9.6%	9.9%	10.2%	10.4%	10.6%	10.8%		
Total Domestic Switched Services	$21,909.0	$23,418.2	$25,718.1	$28,057.1	$30,630.7	$33,433.5	$36,493.8	$39,862.8	$43,600.5	$47,661.5	9.3%	9.3%
Revenue Growth Rate (yr. over yr.)		6.9%	9.8%	9.1%	9.2%	9.2%	9.2%	9.2%	9.4%	9.3%		
% of Total Revenues	65.8%	61.5%	57.0%	52.6%	48.8%	45.8%	43.2%	40.7%	38.3%	35.9%		
Domestic Private Line/Data	$5,795.0	$6,822.8	$8,344.2	$10,160.4	$12,326.9	$14,906.5	$17,965.7	$21,579.3	$25,909.1	$31,115.5	21.4%	20.9%
Revenue Growth Rate (yr. over yr.)		17.7%	22.3%	21.8%	21.3%	20.9%	20.5%	20.1%	20.1%	20.1%		
% of Total Revenues	17.4%	17.9%	18.5%	19.0%	19.6%	20.4%	21.2%	22.0%	22.7%	23.5%		
International	$1,272.9	$1,934.8	$2,824.8	$4,000.0	$5,039.0	$6,248.4	$7,748.0	$9,607.5	$11,913.3	$14,772.5	32.0%	28.9%
Revenue Growth Rate (yr. over yr.)		52.0%	46.0%	41.6%	26.0%	24.0%	24.0%	24.0%	24.0%	24.0%		
% of Total Revenues	3.8%	5.1%	6.3%	7.5%	8.0%	8.6%	9.2%	9.8%	10.5%	11.1%		
Internet	$2,638.0	$4,023.3	$6,028.8	$8,467.5	$11,562.8	$14,559.2	$17,711.2	$21,425.9	$25,825.3	$31,096.8	34.5%	29.1%
Revenue Growth Rate (yr. over yr.)		52.5%	49.8%	40.5%	36.6%	25.9%	21.7%	21.0%	20.5%	20.4%		
% of Total Revenues	7.9%	10.6%	13.4%	15.9%	18.4%	19.9%	20.9%	21.9%	22.7%	23.4%		
Core Revenues	$31,614.9	$36,199.1	$42,915.9	$50,685.0	$59,559.3	$69,147.5	$79,918.8	$92,475.6	$107,248.2	$124,646.2	17.2%	16.7%
Revenue Growth Rate (yr. over yr.)		14.5%	18.6%	18.1%	17.5%	16.1%	15.6%	15.7%	16.0%	16.2%		
SHL & Other	$1,662.0	$1,859.5	$2,231.4	$2,677.7	$3,213.3	$3,855.9	$4,627.1	$5,552.5	$6,663.0	$7,995.6	20.0%	20.0%
Revenue Growth Rate (yr. over yr.)		11.9%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%		
% of Total Revenues	5.0%	4.9%	4.9%	5.0%	5.1%	5.3%	5.5%	5.7%	5.8%	6.0%		
Total Revenues	$33,276.9	$38,058.7	$45,147.3	$53,362.7	$62,772.6	$73,003.4	$84,545.9	$98,028.1	$113,911.2	$132,641.8	17.3%	16.9%
Revenue Growth Rate (yr. over yr.)		14.4%	18.6%	18.2%	17.6%	16.3%	15.8%	15.9%	16.2%	16.4%		

1998 - 2007 are Pro Forma For MCI.

Source: Smith Barney Inc./Salomon Brothers Inc